

Utah Committee of Consumer Services *Advocate for Utah Utility Consumers*

Quarterly Newsletter

Utah Department of Commerce

Utility Consumer Advocate Slashes Rate Increase

Special points of interest:

- *PacifiCorp Rate Case*
- *Safety Inspection*
- *Future Energy Savings*
- *Acquisition of PacifiCorp*

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On July 26, 2006, the Committee of Consumer Services (Committee) reached a settlement with Rocky Mountain Power (formerly Utah Power) and other parties which would grant the utility a \$115 million rate increase. If approved by the Public Service Commission of Utah (Commission), the increase amounts to 60% of the \$197 million rate increase the utility originally requested. The increase would occur in two phases: \$85 million, effective December 11, 2006, and an additional \$30 million, effective June 1, 2007, after the company starts up its \$330 million Lake Side Power Plant.

The rate increase will push up the typical residential electricity bill in the state by approximately \$5.75 a month once it is fully implemented.

"We would have preferred a much smaller rate increase," said Committee Interim Director Reed Warnick. "Rate increases are always troubling with energy costs going up everywhere for consumers.

But, given the conditions out there and the growth taking place and the concern about inadequate reliability in the system, we achieved a good settlement. On balance, people would be much happier to pay a little more and look for better, more reliable service if they have to make that choice."

Since the December 2003 Christmas storm power outage, it has been the Committee's long term objective to work with the utility to improve electrical service reliability in Utah. Accordingly, a significant portion of the rate increase will be targeted to new capital investment and maintenance expenditures relating to the Utah distribution system such as substations, feeders, transformers, overhead lines, poles and tree trimming.

"The frequency and duration of electrical outages in Utah indicate Rocky Mountain Power is performing poorly in comparison to other U.S. utilities, and needs to make sub-

stantial improvements," said Reed Warnick. "We expect the largest electrical utility in the state to not only provide cost-efficient, but reliable service. We look to the new ownership of Rocky Mountain Power to make that happen. The task is not a simple one with the Wasatch Front being one of the fastest growing urban areas in the nation. The utility faces the dual challenge of not only serving that growth but improving the over-all quality of service, as well."

In addition to paring down the rate increase amount, the Committee worked with other interested parties to secure a settlement that (1) anticipates no change in electric rates until August 2008 and (2) requires the utility withdraw its application for a power cost adjustment mechanism (PCAM) that would pass through to customers the utility's purchased power and fuel cost volatility risk.

A Commission hearing is scheduled for August 28.

Safety Inspection Urged for Natural Gas Appliances

The Committee urges homeowners to have their appliances inspected and serviced regularly by a certified technician working as or in the employ of a licensed heating professional. In addition to making sure a furnace is installed and ventilated properly, a comprehensive inspection should also ensure gas furnaces and water heaters are properly adjusted for Utah's altitude and changes in natural gas composition.

Proper adjustment is even more critical today since the Utah Public Service Commission approved a change in Questar Gas Company's tariff author-

izing new set points for gas furnaces and water heaters, due to the changing composition of local gas supplies.

Engineering experts hired by the Committee have confirmed that there is a potential safety hazard if gas furnaces or water heaters are not properly adjusted for the new tariff range. Consequently, all Utah furnaces and water heaters should have a Btu/Altitude Adjustment by July 2008.

New appliances purchased and installed after June 1998 should already be properly adjusted. Customers on HEAT or REACH assistance may receive a free adjustment from

Questar Gas by calling 800-695-7375.

Who can make the inspection? A person who is **RMGA Gas Certified, such as a licensed heating contractor or journeyman plumber**, will be able to perform the inspection and make any necessary adjustments. A certified technician will apply a sticker (commonly known as a Green Sticker) to each appliance that is properly adjusted. A list of contractors is available in your local Yellow Pages under "Heating" or "Plumbing." **To ensure your heating contractor is certified, call Rocky Mountain Gas Association: 521-8340.**

Settlement Offers Future Savings to PacifiCorp's Customers

The Committee, Utah Industrial Energy Consumers and MidAmerican Energy Holdings Company (MEHC), who recently acquired PacifiCorp from ScottishPower, settled a pending lawsuit on terms that offer future cost savings of approximately \$32 million to Utah ratepayers.

Last October, the Committee filed a request with the Public Service Commission (Commission), alleging that a U.S. Securities and Exchange Commission (SEC) audit revealed that

PacifiCorp had been over-collecting income tax costs in Utah rates since its 1999 merger with ScottishPower. PacifiCorp denied the allegations and asserted the income tax costs it collected in rates were calculated in accordance with long-standing Commission practice.

The parties involved ultimately concluded that it was in the public's best interest to settle the dispute on reasonable terms. As a result, MEHC has agreed to transfer its \$12.2 million

stock ownership in Intermountain Geothermal Company (IGC) to PacifiCorp. PacifiCorp's ownership of IGC's steam fields offers potential economic benefits to Utah customers. These benefits are based on a 36 megawatt expansion of the Blundell Geothermal Plant located near Milford, Utah. The Plant represents a 'clean energy Resource' with costs projected to be lower than other resource alternatives. The Commission approved the settlement Agreement on April 10, 2006.

U.S. Department of Energy Saving Energy in 2006—Avoid the Energy Hog

Did you know that the typical U.S. family spends close to \$1,500 a year on home utility bills? Unfortunately, a large portion of that energy is wasted. And electricity generated by fossil fuels for a single home puts more carbon dioxide into the air than two average cars.

The good news is, there is a lot you can do to save energy and money at

home. By making a few small changes, you can reduce your energy costs by 10% to 50%.

Track Your Energy Costs with a Home Energy Audit

A home energy audit is the first step to assess how much energy your home consumes, and to evaluate what measures you can take to make your home more energy efficient. An audit will show you problems that may, when

corrected, save you significant amounts of money over time. During the audit, you can pinpoint where your house is losing energy. Audits also determine the efficiency of your home's heating and cooling systems. An audit may also show you ways to conserve hot water and electricity. You can perform a simple energy audit yourself by going to "Do-It-Yourself-Audit" at: www.eere.energy.gov.

ENERGYHOG.org



MidAmerican Energy Holdings Company Acquisition of PacifiCorp Completed

On May 24, 2005, MidAmerican Energy Holdings Company announced it had reached an agreement with ScottishPower to acquire its subsidiary, PacifiCorp, for \$5.1 billion in cash. PacifiCorp's \$4.1 billion in net debt and preferred stock as of Dec. 31, 2005, will remain outstanding.

Final regulatory approval of the transaction was obtained from the six state public utility commissions in PacifiCorp's service area. The transaction also had received regulatory approval from the Federal Energy Regulatory Commission and the Nuclear Regula-

tory Commission and clearance from the Department of Justice under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"This is an exciting day in the history of MidAmerican Energy Holdings Company and PacifiCorp," said David Sokol, chairman and chief executive officer of MidAmerican Energy Holdings Company. "We look forward to supporting PacifiCorp as it builds upon its record of outstanding service to customers in Oregon, Utah, Idaho, Washington, Wyoming and California."

A new organizational structure and leadership team for PacifiCorp also was announced. The company has been organized into three business units, aggregating up to PacifiCorp. The Pacific Power business unit will be responsible for delivering electricity safely and reliably to customers in Oregon, Washington and California. Stan Watters, currently senior vice president for PacifiCorp's commercial and trading group, has been named president of Pacific Power. Pacific Power will be headquartered in Portland, Ore.

(MidAmerican continued on page 4)

Do You Know???

Do you know that your monthly bill charge for natural gas is 'automatically' weather adjusted? It is adjusted upward or downward to account for the variations in Distribution Non-Gas revenues which are due to differences in the degree-day deficiency from normal. And, it is calculated on a 'thirty year normal.'

So, what does this mean to you? It means that in Utah if commercial or

residential customers do not want to have their billings weather adjusted on a 'thirty year normal,' they must request it annually.

Each year during the summer, Questar Gas Company sends a notice to its residential customers advising them of the Weather Normalization Adjustment (WNA) and offering them an option to elect not to have their billing weather adjusted. However, that op-

tion is for a one-year period only. To elect not to have your billing weather adjusted in future years, the process must be repeated each year.

TO ELECT NOT TO PARTICIPATE IN QUESTAR'S WEATHER NORMALIZATION ADJUSTMENT (WNA) PROGRAM, CUSTOMERS MUST NOTIFY QUESTAR ANNUALLY.

Committee Update

Committee Welcomes New Members

—During the July Committee meeting, Chair Dee Jay Hammon welcomed the Governor's two new appointees and extended appreciation to the members whose terms have expired. Robert McMullin, who replaces Kent Bateman, will represent the in-



Dee Jay Hammon, Chair

terests of farmers/ranchers who use electric power to pump water. He is president of McMullin Orchards, Inc., based in Salem. Andrew Riggle, who replaced Ryan Atkinson, represents the interests of low-income residence. He is currently employed by the Utah Developmental Disabilities Council.

Committee Briefs Utah Farm Bureau — In PacifiCorp's previous rate case, the Utah Public Service Commission was concerned about the lack of reliable load data for the irrigation

class and requested the company initiate a new load research study. The company started sampling pumpers this summer, but the study won't be completed for the 2006 rate case. In future rate cases, irrigators will again be included in the company's cost-of-service studies, which could result in irrigation rate increases.





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MidAmerican (cont. from page 3)

The Rocky Mountain Power business unit will be responsible for delivering electricity safely and reliably to customers in Utah, Wyoming and Idaho under the brand name Rocky Mountain Power, as of July 17. Richard Walje has been named president of Rocky Mountain Power. Rocky Mountain Power will be headquartered in Salt Lake City.

PacifiCorp, the corporate parent of PacifiCorp Energy, Pacific Power and Rocky Mountain Power, will be led by Greg Abel, who has been named chairman and chief executive officer of the company. Fehrman, Walje and Watters will report to Abel, who also will continue to serve as president of MidAmerican Energy Holdings Company.

PacifiCorp will remain headquartered in Portland. Abel will be based at Mid-

American's corporate headquarters in Des Moines, Iowa, but will have offices in Portland and Salt Lake City.

"The new organization will further enhance the regional identity of our electric distribution businesses and provide a greater focus on the electric generation business," Abel said. "The leaders of these business units bring a high level of knowledge and experience to their new positions with the common objective to deliver outstanding service to their customers."

Approximately 1.6 million customers in six Western states look to PacifiCorp for safe, reliable electrical service. PacifiCorp is one of the lowest-cost electricity producers in the United States with a generation capacity of 8,261 megawatts.

The Committee of Consumer Services is a Utah state governmental agency that represents the interests of small business owners, farmers and ranchers, and residential consumers of natural gas, electric, and telephone utilities.

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